

Message

From: Johan Heurlin [REDACTED]@google.com]
Sent: 3/27/2019 3:14:44 AM
To: Lawrence Koh [REDACTED]@google.com]
CC: Eleanor Park-Otsu [REDACTED]@google.com]; Emily Putze [REDACTED]@google.com]
Subject: Re: Hello and follow up

EXHIBIT 142

From a technical perspective, maybe we should look into the best way ABK could include an installer for side-loading additional APKs in updates made to King games. Would they have to direct King users via URL/webview to download a separate installer APK, or is there a way for developers to somehow add this functionality in their games live on Play hidden behind a server switch? Directing casual puzzle users to download a separate installer will likely only successfully migrate 5-10% of their user base at best.

If they can bake-in a Battle.net (or other store) installer that would be 'epic' (pardon the pun) for them and could make it a feasible move if they feel things are turning sour. Or maybe they'll try to do something in between by offering something like Amazon Coins where active spenders are incentivized to use another installer to get some really good deals they can't resist. They wouldn't get the majority of their user base over, but maybe a significant chunk of the players that really matters to them.

On Tue, Mar 26, 2019 at 5:39 PM Lawrence Koh <[REDACTED]@google.com> wrote:
 Johan,

Good questions. Responses inline:

On Tue, Mar 26, 2019 at 12:53 PM Johan Heurlin [REDACTED]@google.com> wrote:
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Thanks for sharing Lawrence, very helpful.

If eligibility is set at \$150M spend/qtr, potentially only Aniplex, King, Bandai Namco, NCSOFT (& Supercell as of this quarter) may qualify, and if Play co-invests \$3M/qtr it'll stay within your suggested 2% of consumer spend.

This wouldn't incentivize King to "improve their product metrics" beyond already ongoing efforts as they'll likely remain eligible. That said, improving beyond what they're already doing may just lead to them squeezing their Android payers more (with potential negative long term effects). The majority of King's spend improvements in recent years comes from mechanics targeted toward existing spenders. For example, I don't think 2% ad credits incentivizes King to move internal resources (i.e. from iOS to Android development) in an attempt to drive more NPUs on Android, as it has shown to have relatively low impact.

The idea of offering the incentive to ABK as a whole sounds great to me. Is the idea to offer the allotted credits to ABK and let them decide how to spend it (as long as its Android-focused), or is the idea to offer ATVI & Blizzard the same incentive but separately? **LK: preference is to have the credits offered to ABK at the group level and have them allocate across their BU/portfolio based on their priorities.**

It would be helpful to better understand what it means when Jamie said Bobby Kotick "agitated over Play rev share". A lot of developers agitate over this, but is there a threat that ABK will go off Play despite what they have to lose via King's revenue? **LK: it's not clear how real of a risk this is. Apparently ABK in the past mentioned that they can build their own platform and generate higher cash flow. Again, not sure how realistic this is. They do have battle.net and a large audience network with their King titles...**

When you said that your proposal was "capped at 33% of UAC spend", did you mean capped at 33M UAC spend via ad credits? LK: should have made this clearer. My suggestion was that we cap the ad credit rewards at 33% of King's quarterly UAC spend. Likely going to throw out this idea and I'm waiting to hear back from the stratops team on some ideas they have.

Thanks,
Johan

On Tue, Mar 26, 2019 at 6:41 AM Lawrence Koh <[REDACTED]@google.com> wrote:
FYI. More to come but we will get something in place for King (and ABK) soon.

----- Forwarded message -----

From: **Jamie Rosenberg** <[REDACTED]@google.com>

Date: Tue, Mar 26, 2019 at 5:22 AM

Subject: Re: Hello and follow up

To: Lawrence Koh <[REDACTED]@google.com>, Samer Sayigh <[REDACTED]@google.com>, Shafiq Ahmed <[REDACTED]@google.com>, Kate Lee <[REDACTED]@google.com>

CC: Purnima Kochikar <[REDACTED]@google.com>

ATTORNEY CLIENT PRIVILEGED
(Kate, please advise)

+Samer Sayigh +Shafiq Ahmed +Kate Lee

Hi Lawrence,

Thanks for this summary -- very thorough and helpful. When Humam last reached out to me on this, I conveyed that I was optimistic we'd have a proposal back to them by the end of March... so I suspect if they don't hear something from us this week I will hear from him again. Additionally, the ABK CEO met with Don Harrison at GDC last week and agitated over Play rev share.

I think we need to move this along faster/ in parallel with the overall Hug approval and be prepared to push this through as a one-off if we need to (sounds like you're working on that basis as well).

So I would suggest continuing to push forward (with the Ads team) on structuring a proposal that you think makes sense, and Shafiq can help us fund it regardless of where we are in the Hug process. Because we are not moving forward in the short-term with the ecosystem-wide ad credit program (i.e., 5% back to all developers), I'm a bit nervous about tying our credits to Play spend, in the event that leaks and we are accused of unfair treatment. It's been a safer concept for me for us to focus on campaigns/ launches -- i.e., if the partner does something big that we want to support, we co-invest.

But... some of this is semantics -- a big UA push for Candy Crush can be seen as a campaign that we find value in co-investing in. You could also consider eligibility criteria for the Play credits -- i.e., as long as King maintains \$100M+ spend in a quarter, we will invest \$5M in ad credits for an Android-focused UA campaign the following quarter, etc. (I'm making up those numbers... but you get the idea). One way to get started more quickly is to have this structured as quarterly tranches that are unlocked based on achieving the efficiency criteria you reference, so that we're not making a full-year commitment up front.

Finally, can you or Purnima please sync with Don Harrison to let him know where you are on this and what you're pulling together? I want to make sure we're coordinated since he has the open dialogue with Bobby at ABK as well (and he might be able to help in either delivering the message or buying time).

Thanks,

Jamie

On Mon, Mar 25, 2019 at 9:23 PM Lawrence Koh <[REDACTED]@google.com> wrote:
Hi Jamie,

We're getting close to the end of March, so I'll like to give you an update on where things currently stand with King:

- After working with King's SF partnership and London UA team (including their CMO, Richard Hocking) to get a better understanding of how we can support their growth objectives, **King has made it clear to us that they believe the only way we can support them is by subsidizing their UAC spend with ad credits.**
- King's initial request for ad credits was a pretty aggressive one and asked that we **match 75% of their UAC spend with ad credits** (\$3 of ad credits for every \$4 of their own UAC spend). King is currently spending about \$40M annually on UAC with a goal of reaching full payback within 12mos and we learned that every dollar above the \$40M threshold shows diminishing returns which is why they have been capping their own spend at \$40M.
- **King will like us to subsidize their UAC spend with ad credits so that they can significantly increase their spend budget** and capture incremental revenues without compromising the ROI from their direct spend. In their model, they referenced how they can theoretically scale up their annual UAC spend up to \$80M if we can help unlock \$60M worth of ad credits (ie King will be putting \$140M of UAC dollars to work but King is only responsible for paying \$80M).
- We let King know that we want to figure out a solution that helps their growth objectives but the **biggest question mark we have with their request is the inefficiency of the additional investment** that both parties will be making with their proposal. We explored looking into other initiatives we can partner on, but they expressed minimal interest and was adamant that ad credits is the best lever to move the needle based on their internal analysis. Our view is that we will be investing a significant amount with highly questionable ROI unless their product unit metrics can improve and justify further spend.
- We've been internally exploring some ideas that will support King's interest in ad credits and their growth objectives and one idea we've been exploring is seeing if we can **offer a performance based ad credit program that will unlock ad credits for them based on their performance on Play and their continued investment into their products.** For an example, one idea we explored is converting 2% of consumer spend, capped at 33% of UAC spend, into ad credits for them. Currently King does about \$700M in ad spend and invests \$40M on UAC. With our proposal, they will be able to unlock about \$14M in ad credits annually with an opportunity to unlock more if they improve their product metrics and grow their games via continued UAC investment.
- In addition, we met with the ABK leadership team last week at GDC and their new Chief Commercial Officer, Armin Zerza. Armin in his new role oversees partnerships across all of ABK and Armin **expressed an interest in having a common partnership approach across all of the BUs within ABK.** We plan on having a follow up meeting with Armin soon and if we're internally aligned on supporting the ad credits incentive program, we can consider offering the incentive not just to King but to all of ABK as a corporate partnership offering. This will help address an interest from the ABK senior leadership team to partner more closely with Play as well as support King's growth objectives.

King recently reached out asking if we can have another check-in meeting later this week to discuss our joint investment program proposal and I've asked our team to postpone this by a few weeks so that we can be prepared with a well thought out proposal. There's a small chance that Humam might reach out to you to do a status check and will be great if you can help let him know that we are working on a proposal that we will be prepared to share with him and his team at ABK soon.

Please let me know if you have any questions.

Thanks,
Lawrence

On Sun, Mar 3, 2019 at 8:06 AM Purnima Kochikar <[REDACTED]@google.com> wrote:
Thanks Jamie for the guidance and for sending the email to Humam.

P

On Sun, Mar 3, 2019, 9:07 AM Jamie Rosenberg <[REDACTED]@google.com> wrote:
FYI...

----- Forwarded message -----

From: **Jamie Rosenberg** <[REDACTED]@google.com>
Date: Sun, Mar 3, 2019 at 7:06 AM
Subject: Re: Hello and follow up
To: Humam Sakhnini [REDACTED]@king.com>

Hi Humam,

Good to hear from you, and a belated congratulations on your expanded role. They didn't necessarily start you out with the most pleasant task with some of the internal restructuring -- hopefully you're on the other side of that now.

Deepening our partnership remains a high priority on our side. I know we've kicked off several threads of activity based on our conversations in December -- and apologies that some of our bigger ideas are taking a bit longer to flesh out. The March timeline feels right to me. I will double check with the team on our side and let you know if that's not the case for some reason. In the meantime, hopefully we're making progress and learning from the efforts that are underway.

Best,

Jamie

On Mon, Feb 25, 2019 at 9:36 AM Humam Sakhnini <[REDACTED]@king.com> wrote:
Hi Jamie --

Hope you are well.

I understand that the King and Google teams have synched (with Purnima leading from your side and Olivia from ours) and that we will hear back from Google on a proposal by end of March? I just wanted to confirm that the timing is consistent with your understanding.

Let me know if you think we need to jump on a call to discuss ahead of time.

Many thanks,

Humam

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